

## **MAC and Medicaid Cost Settlements (NEW REPORTING REQUIREMENT)**

Since DPI's standardization of monitoring IDEA's maintenance of effort compliance requirement, past Medicaid cost settlements have resulted in a number of complicated issues for districts. The IDEA regulations state that revenue received through Medicaid should offset a district's special education expenditures to reflect true local costs (34 CFR §300.154(g)(2)); however, in the case of MAC and cost settlements, the revenue received is often years after the expenditures were made.

Maintenance of Effort compliance is based on a July 1 to June 30 fiscal year comparison. Once the fiscal year is closed (we use the date September 30), any opportunities to "amend" the prior year expenditures by moving costs between funding sources is no longer permitted. Using the same concept with Medicaid MAC and cost settlements, we believe that revenue received after the close of a fiscal year (September 30) should be excluded from the MOE calculation. For example, a cost settlement for the 2011-12 fiscal year received in June of 2014 would be excluded from the MOE calculation.

To facilitate this, the Department of Health Services (Forward Health) will now print a banner message attached to each payment to identify if the check represents a MAC or cost settlement payment. These payments should be coded to fund 10. All other payments from Forward Health that do not have a banner message attached to the check are the result of interim SBS billing and these funds should continue to be coded to fund 27.

### **For School Districts receiving checks directly from Forward Health:**

Beginning in fiscal year 2013-14, if the check from Forward Health is identified as a MAC or cost settlement payment, the entire amount is coded to fund 10, source 780. When it is coded to fund 10, it will no longer be an off-set to a district's fund 27 expenditures. The amount and timing of these payments will no longer impact a district's MOE compliance.

If the check from Forward Health does not include any identification, it is an SBS interim payment. This is reimbursement for current expenditures. These payments are coded to fund 27, source 780. Payments that cross fiscal years will still be coded as revenue in the current fiscal year (districts have control over when these payments are made and could ensure that billing is done timely).

### **For School Districts receiving checks from a CESA:**

Beginning in fiscal year 2013-14, a CESA must identify the payment to a school district as MAC, cost settlement, or SBS interim payments. If the check from CESA is a MAC or cost settlement payment, the entire amount is coded to fund 10, source 581. When it is coded to fund 10, it will no longer be an off-set to a district's fund 27 expenditures. The amount and timing of these payments will no longer impact a district's MOE compliance.

If the check from CESA is an SBS interim payment, the revenue is coded to fund 27, source 581. Payments that cross fiscal years will still be coded as revenue in the current fiscal year (districts have control over when these payments are made and could ensure that billing is done timely).

### **MORE ON MEDICAID CODING:**

The SFS team has learned that Forward Health, the Medicaid administrator, has begun reconciliations for fiscal year 2006. As a reminder, prior year cost settlement revenues are now being coded to Fund 10, source 780. Some reconciliations involve overpayments being recouped from districts through the withholding of interim SBS payments. In these cases districts should be coding the recoupment as an expense and the withheld payment as a revenue, even if no funds are actually exchanged.

Example: A district submits an SBS claim of \$1,000. The check it receives is for only \$250, and the remittance advice shows that a \$750 recoupment of prior year revenue was applied against the claim.

- Record the SBS claim as paid in the full amount of \$1,000 in WUFAR revenue account 27R-000000-780.
- Record the \$750 recoupment as a prior year refund in WUFAR expenditure account 10E-492000-971.
- No specific transfer between Funds 10 and 27 is made with this transaction - the difference will become part of the overall year-end fund transfer.